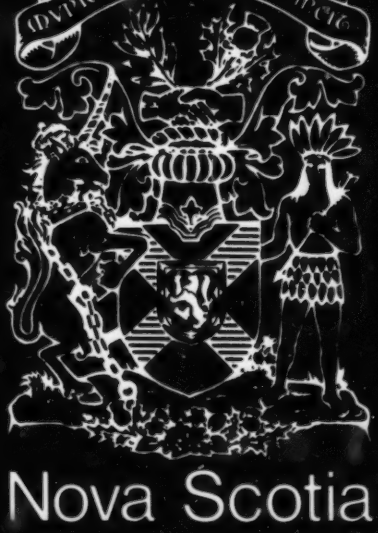
Province of Nova Scotia Financial Statements 1985



Nova Scotia

86-0491/

This report presents the Financial Statements of the Province of Nova Scotia for the fiscal year ended March 31, 1985. The complete Public Accounts will be presented to the Legislative Assembly at its next session.

Hon. Greg Kerr,
Minister of Finance

Province of Nova Scotia Financial Statements 1985

Nova Scotia

Province of Nova Scotia

Financial Statements

March 31, 1985

	Page
Auditors' Report	3
Statement of Financial Position	4
Consolidated Fund Transactions	5
Current Revenue and Expenditure	6
Capital Expenditure	7
Changes in Net Direct Debt	8
Advances and Investments	9
Additional Advances, Investments and Repayments	10
Notes to the Financial Statements	11

Province of Nova Scotia

Auditors' Report

The Honourable Greg Kerr,
Minister of Finance,
Province of Nova Scotia,
Halifax, Nova Scotia.

Sir:

We have examined the statement of financial position of the Province of Nova Scotia as at March 31, 1985 and the statements of consolidated fund transactions and of current revenue and expenditure for the year then ended together with notes to the financial statements and the supporting statements. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Province of Nova Scotia as at March 31, 1985 and the results of its consolidated fund transactions and of its operations for the year then ended in accordance with the accounting policies stated in the notes to the financial statements applied on a basis consistent with that of the preceding year.

Touche Ross & Co.
Chartered Accountants

Montreal, Quebec
October 23, 1985

Province of Nova Scotia

Statement of Financial Position

as at March 31, 1985

		1985	1984
		(in thousands)	
ASSETS			
Current Assets:			
Cash and short-term investments		$ 83,449	$ 125,689
Accounts receivable		215,685	217,950
Inventories		29,037	29,408
Advances		2,192	2,195
		330,363	375,242
Capital Assets:			
Advances (Note 5)		783,523	822,487
Investments (Notes 3 and 5)		49,585	46,872
		833,108	869,359
		$1,163,471	$1,244,601
LIABILITIES			
Current Liabilities:			
Bank advances		$ 59,094	$ 109,392
Accounts payable		183,481	145,070
Accrued interest		155,863	137,568
		398,438	392,030
Capital Liabilities:			
Debentures (Note 6)		4,157,562	3,639,510
Less: Specific Sinking Funds (Note 6)	$810,742		
General Sinking Funds (Note 6)	30,570	841,312	688,161
		3,316,250	2,951,349
Government of Canada loans (Note 7)	46,159		
Less: Specific Sinking Funds (Note 6)	3,479	42,680	46,327
		3,358,930	2,997,676
Deficiency in net assets of Sydney Steel Corporation (Note 4)		154,801	140,066
		3,912,169	3,529,772
NET DIRECT DEBT			
Net Direct Debt		(2,748,698)	(2,285,171)
		$1,163,471	$1,244,601
Trust Funds under Administration		$1,242,247	$1,066,120

Contingent Liabilities (Notes 4 and 8)

Province of Nova Scotia

Consolidated Fund Transactions

for the fiscal year ended March 31, 1985

	1985	1984
	(in thousands)	
Budgetary Transactions		
Current Account		
Excess of Current Operating Expenditure over Revenue and Recoveries	$220,158	$187,377
Sinking Fund Instalments and Serial Retirements	65,065	51,347
Net Revenue Deficit	285,223	238,724
Capital Account		
Net Capital Expenditure	224,408	193,361
Advance under the Appropriations Act	34	32
Net Budgetary Transactions	509,665	432,117
Non-Budgetary Transactions		
Capital Expenditure for which no vote is required	6,751	10,307
Net Decrease in Advances and Investments	(12,157)	(9,275)
Expenditures from Health Services Reserve Account	16	16
Earnings on sinking funds pertaining to borrowings for Nova Scotia Power Corporation credited to their Advances	2,134	1,746
Debt Retirement not chargeable to Current Revenue	4,877	5,895
Non-Budgetary Transactions	1,621	8,689
Total Budgetary and Non-Budgetary Transactions	511,286	440,806
Less: Non-Fund Requiring Transactions	18,229	20,484
	$493,057	$420,322
Funds Provided By:		
Proceeds of Debentures Issued	$441,238	$498,827
Proceeds of disposal of Capital Assets	532	979
Increase (Decrease) in Net Current Liabilities	51,287	(79,484)
	$493,057	$420,322

Current Revenue and Expenditure

for the fiscal year ended March 31, 1985

	1985			1984
	Estimate	Forecast	Actual	Actual
		(in thousands)		
Revenue and Recoveries				
Provincial Sources				
Income Taxes	$ 580,451	$ 546,551	$ 544,104	$ 500,467
Sales Taxes	613,100	602,491	595,524	499,645
Interest Revenue	76,240	76,657	78,062	76,060
Liquor Commission	83,100	82,700	83,448	78,397
Transportation and Registry of Motor Vehicles	37,692	35,978	34,259	34,114
Other Provincial Revenue	68,391	71,137	69,232	62,435
Federal Sources				
Equalization	617,957	620,419	620,419	602,630
Established Programs Financing	301,400	325,516	325,516	287,977
Shared Cost Programs	145,340	145,457	142,939	130,328
Other Federal Payments	2,251	2,251	2,251	2,251
Other Recoveries	49,982	54,289	53,796	49,575
	2,575,904	2,563,446	2,549,550	2,323,879
Expenditure				
General Government	98,204	98,172	96,732	84,859
Public Protection	72,082	70,871	69,661	67,937
Transportation and Communication	105,341	112,485	113,706	98,595
Resource Development	166,641	166,450	177,645	165,375
Health	746,849	751,333	755,012	689,644
Social Services	279,841	284,121	283,049	259,362
Education	745,130	739,099	737,530	706,740
Culture and Recreation	24,668	24,435	24,344	22,971
Debt Charges	468,076	467,452	470,888	407,368
Municipal Affairs	63,402	61,478	61,264	55,995
	2,770,234	2,775,896	2,789,831	2,558,846
Excess of Current Operating Expenditure over Revenue and Recoveries before prior years' adjustments	194,330	212,450	240,281	234,967
Prior Years' Adjustments — Federal-Provincial Fiscal Arrangements	—	20,123	20,123	47,590
Excess of Current Operating Expenditure over Revenue and Recoveries	194,330	192,327	220,158	187,377
Sinking Fund Instalments and Serial Retirements (Note 6)	66,396	64,399	65,065	51,347
Net Revenue Deficit	$ 260,726	$ 256,726	$ 285,223	$ 238,724

Province of Nova Scotia

Capital Expenditure

for the fiscal year ended March 31, 1985

	1985			1984
	Estimate	Forecast	Actual	Actual
		(in thousands)		
Capital Expenditure				
General Government	$ 5,451	$ 4,982	$ 4,638	$ 2,803
Public Protection	2,688	2,655	2,339	1,261
Transportation and Communication	157,447	134,821	133,606	125,354
Resource Development	70,424	66,273	63,345	72,442
Health	37,167	25,302	24,370	18,647
Social Services	189	136	91	102
Education	22,919	15,214	13,437	12,060
Culture and Recreation	7,159	6,608	6,825	1,674
Municipal Affairs	28,049	28,004	27,353	19,577
	331,493	283,995	276,004	253,920
Less: Recoveries	59,524	45,225	44,845	50,252
Net Capital Expenditure	$271,969	$238,770	$231,159	$203,668

Note: Capital Expenditures consist of budgetary and non-budgetary transactions which for the year ended March 31, 1985 amounted to $224,408,000 and $6,751,000 respectively (1984-$193,361,000 and $10,307,000).

Province of Nova Scotia

Changes in Net Direct Debt

for the fiscal year ended March 31, 1985

	1985	1984
	(in thousands)	
Net Direct Debit — beginning of year	$2,285,171	$1,934,010
Add:		
Excess of current Operating Expenditure over Revenue and Recoveries (Statement 3)	220,158	187,377
Less: Non-Fund Requiring Transactions	(18,229)	(20,484)
	201,929	166,893
Net Capital Expenditure (Statement 4)	231,159	203,668
Increase in provision for doubtful capital advances and investments	24,276	10,461
Expenditure from Health Services Reserve Account	16	16
Increase (Decrease) in deficiency of net assets of Sydney Steel Corporation for the fiscal year (Note 4)	14,736	(286)
Unrealized foreign currency loss in respect of the translation of foreign debt and sinking funds	61,213	31,349
Discounts on debentures issued	6,829	5,908
Total Additions to Net Direct Debt	540,158	418,009
Deduct:		
Income from sinking funds	75,951	65,795
Proceeds of disposal of Capital Assets	532	979
Recovery of capital advances previously written off	148	74
Total Deductions from Net Direct Debt	76,631	66,848
Increase in Net Direct Debt for the year	463,527	351,161
Net Direct Debt — end of year	$2,748,698	$2,285,171

Province of Nova Scotia

Advances and Investments

as at March 31, 1985

	1985	1984
	(in thousands)	
Advances:		
Housing —		
Housing Development Act (net of Canada Mortgage and Housing Corporation and other borrowings of $75,890,000 in 1985 and $80,023,000 in 1984)	$121,822	$121,915
Resource and Industrial Development —		
Agriculture and Rural Credit Act	123,378	120,253
Deuterium of Canada Act	113,872	110,927
Fisheries Development Act	67,365	76,160
Industrial Development Act	69,030	71,321
Industrial Estates Limited Act	80,231	97,089
Industrial Loan Act	30,652	32,860
Nova Scotia Power Corporation Act	40,594	47,109
Small Business Development Corporation Act	14,647	12,705
Venture Corporations Act	4,309	3,531
Miscellaneous	1,424	8,214
Other —		
Loans to Municipalities	41,411	45,758
Universities Assistance Act	74,788	74,645
	783,523	822,487
Investments:		
Investments transferred to the Province from Nova Scotia Power Corporation to repay the Corporation's indebtedness	1,395	1,262
Other investments in Provincial agencies and other entities	48,190	45,610
	49,585	46,872
	$833,108	$869,359

Province of Nova Scotia

Additional Advances, Investments and Repayments

for the fiscal year ended March 31, 1985

Additional Advances and Investments			Repayments	
1985	1984		1985	1984
(in thousands)			(in thousands)	
		Housing —		
$ 36,784	$33,897	Housing Development Act	$ 36,343	$33,525
		Resource and Industrial Development —		
19,730	16,006	Agriculture and Rural Credit Act	10,776	9,390
2,945	—	Deuterium of Canada Act	—	—
7,751	5,742	Fisheries Development Act	15,923	13,017
14,322	12,245	Industrial Development Act	3,928	13,831
7,510	10,869	Industrial Estates Limited Act	21,658	10,291
2,856	1,500	Industrial Loan Act	4,149	4,003
133	116	Nova Scotia Power Corporation Act	6,515	3,403
5,563	4,024	Small Business Development Corporation Act	2,433	1,885
3,030	1,376	Venture Corporations Act	—	—
305	1,761	Miscellaneous	7,108	657
		Other —		
—	—	Loans to Municipalities	4,346	4,134
1,261	1,325	Universities Assistance Act	1,119	3,953
—	—	Health Services Tax Act	15	15
$102,190	$88,861		$114,313	$98,104

Province of Nova Scotia

Notes to the Financial Statements

March 31, 1985

1. FINANCIAL REPORTING AND ACCOUNTING POLICIES

Consolidated Fund

The receipt of public revenues, the disbursement of public funds, the control of expenditures and the keeping and auditing of the accounts of the Province are governed by various Provincial statutes. All receipts and disbursements of public money must flow through the Consolidated Fund of the Province. However, the Consolidated Fund does not include special funds such as trust, pension and sinking funds.

Receipts and disbursements consist of current revenue and expenditure, capital expenditure and recoveries, advances and investments, and other transactions.

Any net cash requirement of the Consolidated Fund is provided by the Province's traditional sources of financing, including internal sources and borrowings in financial markets.

Net Direct Debt

The Province's financial statements are presented so as to highlight net direct debt, a measurement of financial position. Net direct debt consists of the direct liabilities of the Province less its realizable assets. Capital expenditures on assets of a long-term nature such as highways and public buildings are not considered to be realizable assets for purposes of calculating net direct debt.

Transactions affecting net direct debt are summarized in the statement of changes in net direct debt and consist of current operating revenue and expenditure, capital expenditure, changes in the provision for doubtful capital advances and investments, earnings on sinking funds, unrealized foreign currency translation losses and gains relating to debentures payable in U.S. and other foreign currencies, discounts on debentures issued, expenditures charged to reserve accounts, and changes in the deficiency in net assets of Sydney Steel Corporation.

Budgetary Process

The Budgetary estimates, as approved by the Legislative Assembly, provide the authority for current and capital expenditures and indicate the anticipated revenues and recoveries of the Province for the fiscal year. Authority for current expenditure expires at the end of the fiscal year. Authority for capital expenditure for a fiscal year does not expire until the end of the following fiscal year.

Authority for current and capital expenditures is also provided by special legislation and by order of the Lieutenant Governor in Council under the authority of the Provincial Finance Act.

The Estimates are presented annually to the Legislative Assembly and reflect anticipated revenue and expenditure programs for the fiscal year for which approval is requested.

The Estimates also include a Forecast for the previous fiscal year indicating revisions of revenue and expenditure projections.

Estimate and Forecast figures are reflected in the statements of current revenue and expenditure and of capital expenditure.

Accrual Accounting

The accounts of the Province are kept on the accrual basis, revenues being recorded when earned and expenditures being recorded when the liabilities are incurred, with the following exceptions.

Interest on advances made by the Province is included in revenue only as collected.

Payments from the Federal Government under the Federal-Provincial Fiscal Arrangements and Established Programs Financing Act in respect of Equalization and Established Programs Financing Payments and under the Tax Collection Agreement in respect of Personal and Corporate Income Taxes are subject to adjustment in future years. Adjustment payments are reflected separately under "Prior Years' Adjustments — Federal-Provincial Fiscal Arrangements".

Crown Corporations and Agencies

Profits and losses of corporations and agencies owned or controlled by the Province, with the exception of the Nova Scotia Liquor Commission, are not reflected in the revenues and expenditures of the Province except to the extent of any operating grants made by the Province. Operating grants are normally reflected as current expenditure. Profits of the Nova Scotia Liquor Commission are included in current revenue of the Province. The Province provides for the deficiency in the net assets of Sydney Steel Corporation in the calculation of net direct debt.

Net Revenue Surplus (Deficit), Special Reserve and Health Services Reserve Accounts

The annual net revenue surplus (deficit) consists of current revenue and recoveries, excluding sinking fund earnings, less current operating expenditure, and annual sinking fund instalments and serial retirements in respect of capital liablilites.

Pursuant to the Provincial Finance Act, the net revenue surplus in any year may be transferred to special reserve account. The Health Services Tax Act provides that the Minister of Finance may pay out of the Consolidated Fund of the Province such sums as are deemed necessary to establish the health services reserve account. Amounts in these accounts and funds created therefrom may be used for the various purposes defined under the Acts (See Note 2).

Capital Expenditure

Expenditures resulting in the construction or acquisition of assets which are expected to have a useful life in excess of five years are charged to capital in the Province's accounts. Capital account appropriations also include certain expenditures on assets of a long-term nature to which title may vest with entities other than the Provincial Government (such as hospitals or municipalities), but which are considered to be for the benefit of the general populace of the Province. Capital expenditures are not considered to be realizable assets for purposes of calculating net direct debt.

Capital Advances and Investments

Capital advances and investments, including those to or on behalf of corporations and agencies owned or controlled by the Province, are made under the authority and limitations of various Provincial statutes. Capital advances and investments are reflected in the financial statements net of losses and provisions for losses, which are charged directly to the Net Direct Debt account.

Accounts Receivable and Current Advances

Accounts receivable and current advances are reflected in the financial statements net of provisions for losses or uncollectable amounts, which are established as required through charges to current revenue and expenditure.

Inventories

Inventories consist mainly of machinery repair parts, gravel, lumber and other materials relating to the upkeep of highways and goods for resale. Inventories also include selected operating supplies, which are used mainly by Provincially operated hospitals, hotels and educational institutions. Inventories are stated at the lower of cost and net realizable value.

Debentures and Sinking Funds

The Province's debentures payable in U.S. currency (and related sinking funds) and in other foreign currencies and accrued interest on debentures payable in U.S. and other foreign currencies are reflected in the statement of financial position at the Canadian dollar equivalent at rates of exchange prevailing at the date of the financial statements. Foreign exchange rate adjustments arising from sinking fund instalments and serial retirement payments and from the payment of interest are reflected in current expenditure at rates in effect at the date of the transaction.

The Province operates sinking funds for the purpose of retiring capital liabilities. These sinking funds are reflected in the statement of financial position at cost adjusted for the amortization of premiums and discounts on investments.

Pursuant to the Provincial Finance Act, sinking fund instalments and serial retirements of capital liabilities are treated as a current expenditure in the calculation of net revenue surplus (deficit).

Earnings on sinking funds are not reflected as current account revenue.

Foreign Currency Translation — Unrealized Losses and Gains

Unrealized foreign currency losses and gains relating to the translation of debentures payable in foreign currencies to the Canadian dollar equivalent at rates of exchange prevailing at the date of the financial statements are amortized, net of unrealized translation gains and losses on related sinking funds, over the terms of the debenture issues by charges or credits to current expenditure.

Discounts on Debentures

Discounts and underwriting commissions related to the issuance of debentures are amortized over the terms of the related debenture issues by annual charges to current expenditure. Unamortized discounts at March 31, 1985 amounted to $31,838,000 (1984 - $28,364,000).

2. SPECIAL RESERVE AND HEALTH SERVICES RESERVE ACCOUNTS

Pursuant to authority granted by the Lieutenant Governor in Council, expenditures may be made from funds created from special reserve account and health services reserve account rather than being reflected in the calculation of the net revenue surplus (deficit) or as capital expenditures. Expenditures from these accounts amounted to $16,000 for the fiscal year ended March 31, 1985 (1984 - $16,000).

The unexpended balances of these accounts at March 31, 1985, which form part of the Consolidated Fund, amounted to $8,377,000 (1984 - $8,378,000) of which $3,597,000 (1984 - $4,018,000) had been authorized to be advanced or expended and $4,780,000 (1984 - $4,360,000) represented unappropriated balances of the accounts.

3. INVESTMENTS

At March 31, 1985 investments included $19,632,000 (1984 - $17,386,000), net of an allowance for uncollectible amounts of $1,805,000 (1984 - Nil), of redeemable preference shares of Industrial Estates Limited ("IEL") purchased by the Province, of which $18,632,000 (1984 - $14,581,000) is in respect of expenditures by IEL for the development of industrial parks. The shares issued in respect of the development of industrial parks are redeemable from the proceeds of the sale of industrial park lands. During the year, the Province purchased $4,051,000 (1984 - $3,322,000) of additional preference shares representing additional expenditures on industrial parks of $4,540,000 (1984 - $3,651,000) less sales and depreciation of $489,000 (1984 - $329,000).

At March 31, 1985 investments also included $25,334,000 (1984 - $25,000,000) of redeemable non-voting preferred shares of National Sea Products Ltd. and its wholly owned subsidiary, Canso Sea Products Limited, purchased pursuant to arrangements entered into in 1984 concerning the restructuring of two major fishing companies. Proceeds were used to reduce debt owing to the Province.

4. SYDNEY STEEL CORPORATION (SYSCO)

Sydney Steel Corporation, a Provincial Crown Corporation established by an Act of the Legislature, operates a steel mill at Sydney.

To March 31, 1985, the Province had made cumulative operating grants to Sysco totalling $170,124,000 (including operating grants of $8, 247,000 for the fiscal year ended March 31, 1985 [1984 - $9,480,000]), converted $52,332,000 of advances to Sysco to equity, made $68,074,000 in equity contributions for debt retirement, and contributed $125,835,000 in respect of capital expenditure programs of which approximately $96,389,000 has been recovered from the Federal Government. Annual operating grants are reflected as current expenditure and equity contributions as capital expenditure in the Province's financial statements.

At March 31, 1985 the Province had given guarantees in respect of Sysco as follows:

	(in thousands)
- Short-term loans (of a $323,000,000 guaranteed line of credit)	$292,095
- U.S. $25,350,000 of debentures	32,006 (1)
- Performance bonds and letters of credit (of a $5,000,000 guaranteed line of credit)	3,675
	$327,776

(1) Canadian dollar equivalent at rates of exchange in effect at March 31, 1985, net of sinking funds of $2,561,000.

To March 31, 1985 the Province had reflected $154,801,000 in the calculation of net direct debt in respect of the deficiency in Sysco's net assets. The deficiency represents the amount by which Sysco's liabilities, the majority of which are guaranteed by the Province, exceed the book value of Sysco's assets after deducting accumulated depreciation. During the fiscal year ended March 31, 1985 the Province recorded a net increase of $14,736,000 in the calculation of net direct debt in respect of the change in Sysco's net assets during the year, calculated as follows:

	(in thousands)
- Net loss of Sysco for the year after adjusting for transfer of $1,643,000 from appraisal surplus in respect of depreciation charges	$59,179
- Less: Equity contributions by Province to Sysco for debt retirement ($6,979,000) and capital construction ($37,464,000)	44,443
	$14,736

The Province and the Government of Canada entered into an agreement in 1981 to contribute to a Sysco capital construction program. The program, which cost $94,985,000 to March 31, 1985 and was substantially completed at that date, was funded 80% by the Federal Government and 20% by the Province.

The ability of Sysco to continue as a viable operation is dependent on the continued financial support of the Province and on an improved level of operating results. It is not possible to determine at present the extent of any losses that may be incurred by the Province on its equity contributions to Sysco and on its guarantees of Sysco's indebtedness.

5. DEUTERIUM OF CANADA LIMITED (DEUTERIUM)

On February 9, 1978 an agreement was signed for the sale of the facilities of Deuterium and its subsidiaries to Atomic Energy of Canada Limited (AECL), the Federal Government corporation responsible for Canada's nuclear program. The purchase price is being paid in quarterly instalments over 20 years, which commenced April 1, 1978, amounting to $3,300,000 per year. Title to the facilities will pass upon payment of the final instalment.

The instalments are being paid by AECL to a trustee, which is obligated to invest the funds and the earnings thereon in debentures of the Province yielding 5.5% to maturity. These investments amounted to $27,946,000 at March 31, 1985. At the date of the final payment, January 1, 1998, the fund will total $118,900,000 and will be used to repay the Province's advances to and investment in Deuterium.

At March 31, 1985 advances to and investment in Deuterium amounted to $113,872,000 and $3,025,000, respectively. Since March 31, 1970 the Province has waived interest on its advances to Deuterium.

6. DEBENTURES, DEBT CHARGES AND SINKING FUNDS

Debentures payable in U.S. currency (and related sinking funds) and in other foreign currencies are reflected in the statement of financial position at the Canadian dollar equivalent at rates of exchange prevailing at the date of the financial statements.

Debentures outstanding and related sinking funds at March 31, 1985 were as follows:

	Debentures Outstanding	Specific Sinking Funds (1)	Net
		(in thousands)	
Payable in Canadian currency			
- Canada Pension Plan Investment Fund	$1,078,291	$214,654	$ 863,637
- Other Issues	1,188,087	165,107	1,022,980
	2,266,378	379,761	1,886,617
Payable in U.S. currency (2)	1,722,226	420,521	1,301,705
Payable in other foreign currencies	168,958(3)	10,460	158,498
	$4,157,562	$810,742	$3,346,820

(1) In addition, at March 31, 1985 the Province had general sinking funds amounting to $30,570,000 and sinking funds totalling $3,479,000 for the retirement of loans from the Government of Canada.

(2) The Canadian dollar equivalent at the rate of exchange prevailing at March 31, 1985 of debentures payable of U.S. $1,262,999,000 and sinking funds of U.S. $308,390,000.

(3) The Canadian dollar equivalent at rates of exchange prevailing at March 31, 1985 of:

DM	20,000,000
FF	45,000,000
UK £	90,000,000

Debt charges consist primarily of interest on outstanding debentures and include realized foreign exchange costs in respect of payments for the retirement of foreign debt. Debt charges also include charges in respect of the amortization of unrealized foreign exchange costs related to the translation of foreign debt to the Canadian dollar equivalent at rates of exchange in effect at the statement date.

Debt charges for the years ended March 31, 1985 and 1984 are summarized below.

	1985	1984
	(in thousands)	
Interest on outstanding debentures	$440,980	$383,762
Amortization of discounts on debentures	3,355	2,942
Interest on short-term borrowings	7,860	3,010
Foreign exchange costs realized	6,243	3,883
Amortization of unrealized foreign exchange costs	11,613	12,958
Other financing charges and costs	837	813
	$470,888	$407,368

Sinking funds consist primarily of debentures of the Province of Nova Scotia and Government of Canada. Sinking funds for debentures payable in U.S. currency are invested in U.S. funds. Where feasible, sinking funds for debentures payable in other currencies are invested in the currency of the issue, with the balance invested in Canadian funds.

Sinking fund instalments and serial retirements and other amounts charged to current revenue during the fiscal year ended March 31, 1985 amounted to $69,942,000 of which $41,900,000 represented required payments for the fiscal year. Sinking fund instalments and serial retirements are reflected in the calculation of net revenue deficit net of amounts totalling $4,877,000 pertaining to borrowings of certain Crown corporations and Government of Canada loans on behalf of municipalities.

7. GOVERNMENT OF CANADA LOANS

Government of Canada loans of $46,159,000 at March 31, 1985 (1984 - $49,625,000) include funds provided in respect of municipal projects under federally sponsored programs which the Province in turn advanced to municipalities under similar terms and conditions. These advances amounted to $21,901,000 at March 31, 1985 (1984-$23,700,000). The balance of the loans from the Government of Canada were provided to fund provincially sponsored projects.

8. CONTINGENT LIABILITIES

The Province acts as a guarantor of debt issued by Crown corporations, agencies, and various other entities under authorities provided by Provincial statutes. At March 31, 1985 outstanding bank loans, bonds, debentures, etc. directly guaranteed by the Province totalled $1,853,006,000 as summarized below.

	(in thousands)
Nova Scotia Power Corporation	$1,172,948
Sydney Steel Corporation	324,101
Nova Scotia Municipal Finance Corporation	173,078
Halifax-Dartmouth Bridge Commission	66,969
Nova Scotia Resources Limited	60,389
Trade Centre Limited	28,000
Industrial Development Act	26,467
Other	1,054
	$1,853,006

The Province is contingently liable, pursuant to an agreement between the Government of Canada and the Province entered into under the Atlantic Provinces Power Development Act, for the repayment by the Nova Scotia Power Corporation of long-term notes payable to the Government of Canada amounting to $47,288,000 at March 31, 1985. The Province has also guaranteed contractual obligations of the Nova Scotia Power Corporation amounting to $22,556,000 at March 31, 1985.

At March 31, 1985 the Province had guaranteed performance bonds and letters of credit totalling $3,675,000 for Sydney Steel Corporation and had issued other performance guarantees totalling $9,409,000 pursuant to the Industrial Development Act.

9. CANADA-NOVA SCOTIA (OFFSHORE) DEVELOPMENT FUND

The Canada-Nova Scotia Oil and Gas Agreement Act established a $200,000,000 Development Fund to support expenditures incurred by the Province that relate to offshore development. The Act and Agreements pursuant thereto provide that the Government of Canada may disburse up to $50,000,000 annually to the Province for each of the four years beginning in 1984-85. Funds may be paid to the Province pursuant to the approval of projects by the Federal Minister of Energy, Mines and Resources. Funds not disbursed in one fiscal year may be carried forward and disbursed in subsequent fiscal years.

Amounts paid to the Province are repayable to the Government of Canada, without interest, solely from revenues flowing to the Province from the production of offshore oil or gas.

During the 1984-85 fiscal year $11,191,000 of capital expenditure, $2,000,000 of capital advances and $12,690,000 of current expenditure incurred by the Province were charged to the Canada-Nova Scotia (Offshore) Development Fund, the total of which is reflected as an account receivable in the accounts of the Province at March 31, 1985.

10. COMMITMENTS

The Province was obligated to the extent of approximately $53,912,000 for construction contracts entered into on or before March 31, 1985 and not completed at that date.

11. PUBLIC SERVICE SUPERANNUATION PLAN

Employees of the Province and certain of its entities are entitled to receive pension benefits pursuant to the provisions of a pension plan established under the Public Service Superannuation Act. The operation of the plan is generally conducted within the Public Service Superannuation Fund to which employee and employer matching contributions and investment income are credited and payments to pensioners and terminating employees are charged. The Public Service Superannuation Fund is invested in federal, provincial, municipal and corporate securities and mortgages eligible for investment under the Provincial Finance Act.

The Public Service Superannuation Fund is not part of the Consolidated Fund of the Province. However, Provincial legislation and regulations provide that certain payments to pensioners are charged to the Consolidated Fund of the Province rather than to the Public Service Supperannuation Fund. In addition, payments must be made by the Province out of its Consolidated Fund if the Public Service Superannuation Fund is insufficient to provide for pension payments as they become due.

The plan is funded by employee contributions of 7% of salary and equal contributions by the Province. Pensions are paid on the basis of the average salary for the five highest years at the rate of 2% for each year for which contributions were made. Benefits paid are integrated with Canada Pension Plan benefits. Employees and the Province contribute at a reduced rate (5.4%) and receive a reduced pension (1.3%) in respect of earnings eligible for Canada Pension Plan benefits. Pension payments are increased annually (January 1) by the lesser of the increase in the Consumer Price Index or 6%.

Actuarial valuations of the Public Service Superannuation Fund are carried out periodically and provide an estimate of fund liabilities at a point in time, calculated on the basis of various assumptions with respect to pension plan costs and rates of return on investments. The latest report on the actuarial valuation of the Public Service Superannuation Fund was based on information as of June 30, 1984.

The actuarial valuation of the Pension Plan projects liabilities on the basis of service earned to date and projected average salaries for the five highest years at the date of retirement. The actuarial valuation indicates that at June 30, 1984 the Fund had actuarial liabilities with a present value of $745,178,000, assets of $492,713,000 and an unfunded actuarial liability of $252,465,000.

The report also provides information on the financial position of the Plan at June 30, 1984 on the basis of benefits earned in respect of actual salaries and service to date, without provision for future salary increases which will affect actual pension payments. The report indicates that at June 30, 1984, without provision for future salary increases, the Fund had accrued liabilities with a present value of $522,101,000, assets of $492,713,000 and an unfunded accrued liability of $29,388,000.